

Message Text

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PAGE 01 RIO DE 01983 251239Z

43

ACTION COME-00

INFO OCT-01 ARA-10 ISO-00 EB-07 /018 W
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R 251130Z JUN 75

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 2604

INFO AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

UNCLAS RIO DE JANEIRO 1983

E. O. 11652: N/A

TAGS: BEXP,

SUBJ: MARKET RESEARCH ON PULP AND PAPER INDUSTRY

REF.: A) STATE A-3279 (5/9/75)

B) STATE 143180

1. PURSUANT TO CONGEN SAO PAULO REQUEST, CONGEN RIO APPROACHED JOSE CARLOS LEONE OF LEON CONSULTORIA E ENGENHARIA JUNE 17 REGARDING POSSIBLE BID ON REFERENCED STUDY. SUBSEQUENTLY CONGEN PROVIDED LEONE WITH REVISED PARAMETERS ON STUDY (REF B). CONGENOFF MET AGAIN WITH LEONE JUNE 23.

2. LEONE IS WELL QUALIFIED TO UNDERTAKE MARKET RESEARCH. HIS FIRM HAS BEEN, OR IS, A CONSULTANT TO VIRTUALLY ALL OF THE MAJOR PULP AND PAPER MANUFACTURERS IN BRAZIL. MANY COMPANIES CONSIDERING COMING INTO BRAZIL IN PULP AND PAPER HAVE VISITED HIM. SUBSTANTIALLY ALL OF THE FIRM'S BUSINESS IS PROVIDING CONSULTING AND ENGINEERING SERVICES FOR PULP AND PAPER PROJECTS.

3. LEONE DECLINES TO BID ON MARKET RESEARCH. HIS PRICES ARE SUBSTANTIALLY ABOVE RANGE COMMERCE WOULD ACCEPT. SPECIFICALLY, HIS MINIMUM PRICE IS USUALLY 20,000 DOLLARS FOR ANY MARKET STUDY. IN THIS CASE, THOUGH, LEONE MIGHT HAVE BEEN WILLING TO GO AS LOW AS 10,000 DOLLARS IN VIEW OF FAVORABLE PUBLICITY AND IMAGE HE WOULD RECEIVE AS USG CONTRACTOR. HOWEVER, THIS SUM WOULD HAVE BEEN FOR A RATHER LIMITED STUDY.

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4. IN VIEW OF HIS SUBSTANTIAL EXPERIENCE, CONGEN ASKED LEONE

FOR HIS REACTIONS TO PROPOSED STUDY. THEY ARE AS FOLLOWS:

A) USG IS APPROXIMATELY TWO YEARS LATE IN COMMISSIONING SUCH A STUDY. MUCH OF THE MARKET HAS BEEN ALREADY LOCKED UP IN PULP AND PAPER MACHINERY FIELD.

B) MANY OF THE COMPANIES CITED IN THE COMMERCE PROPOSAL AS INTERESTED IN DOING BUSINESS IN BRAZIL HAVE LICENSING ARRANGEMENTS WITH BRAZILIAN BASED FIRMS, PARTICULARLY WITH VOITH, THE DOMINANT MANUFACTURER.

C) DELETIONS MADE BY COMMERCE TO LIMIT SCOPE OF STUDY ARE ILL-ADVISED. THE BRAZILIAN GOVERNMENT IS MAKING STRONG ATTEMPTS TO CONTROL BALANCE OF PAYMENTS AND THIS HAS BEEN MADE PARTICULARLY CLEAR IN THE PULP AND PAPER MACHINERY AREA, SINCE THERE IS ALREADY SUBSTANTIAL LOCAL PRODUCTION. BECAUSE OF GOB IMPORT POLICY THERE IS VIRTUALLY NO OPPORTUNITY FOR IMPORTING COMPLETE PULP AND PAPER MACHINERY INTO BRAZIL. OPPORTUNITIES FOR EXPORTING TO BRAZIL LIE IN PARTS AND SOME MINOR MACHINERY. IT IS LEONE'S CONVICTION THAT MARKET STUDY SHOULD ACTUALLY HAVE BEEN CONCENTRATED ON DELETED ITEMS (SPECIFICALLY, PARTS). (CONGEN CONCURS WITH THIS ANALYSIS).

D) LEONE WENT OVER IN DETAIL A 68 MILLION DOLLAR PROJECT (800 TONS A DAY) THAT THE KLABIN ENTERPRISES ARE UNDERTAKING. MORE THAN 70 PERCENT OF THE DOLLAR VALUE OF EQUIPMENT IS BEING MANUFACTURED WITHIN BRAZIL. THIS PROJECT WAS APPROVED SOME TIME AGO AND CURRENT LEVELS OF NATIONAL CONTENT ARE ABOVE 85 PERCENT (LEONE ALSO SHOWED CONGEN AN ANALYSIS OF SUCH A PROJECT).

E) REGARDING THE QUESTION OF THE POSSIBILITIES FOR CONSULTING SERVICES IN THE PULP AND PAPER INDUSTRY, LEONE NOTED THAT THERE HAS BEEN CONSIDERABLE INTEREST FROM AMERICAN CONSULTING FIRMS OVER THE LAST FEW MONTHS. THERE ARE SUBSTANTIAL OPPORTUNITIES FOR SUCH FIRMS ALTHOUGH SOME OTHER FOREIGN CONSULTING FIRMS, PARTICULARLY FROM SCANDINAVIA, HAVE A CONSIDERABLE HEAD START.

5. RECOMMENDATION: IN VIEW OF FOREGOING, SUGGEST COMMERCE RECONSIDER DELETIONS AS WELL AS SCOPE OF STUDY. SUBJECT
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MARKET IN BRAZIL IS SUBSTANTIAL. HOWEVER, GOB POLICIES MAKE IMPORT OF COMPLETE MACHINERY HIGHLY UNLIKELY. IN ANY CASE, PRICE RANGE OF LEON EXCLUDES HIM FROM THIS COMPETITION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 25 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975RIODE01983
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750220-0662
From: RIO DE JANEIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750617/aaaaapev.tel
Line Count: 111
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION COME
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75, 75 (5/9/7)
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 13 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 FEB 2003 by PhilliR0>; APPROVED <10 MAR 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MARKET RESEARCH ON PULP AND PAPER INDUSTRY
TAGS: BEXP
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006